

Message Text

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ACTION NEA-11

INFO OCT-01 ISO-00 TRSE-00 EB-08 DOE-15 SOE-02 OES-07
AGRE-00 AID-05 CIAE-00 COME-00 FRB-01 INR-10
NSAE-00 ICA-20 XMB-04 OPIC-06 SP-02 LAB-04 SIL-01
OMB-01 NSC-05 SS-15 STR-07 CEA-01 SSM-05 L-03
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E.O. 11652: N/A
TAGS: ECRP, EFIN, ENRG, EINV, SA
SUBJ: NEW SAUDI BUDGET

REF: JIDDA 4238

1. NEW SAUDI STATE BUDGET FOR FY 1398-99 (ENDING MAY 26, 1979) WILL BE MILDLY EXPANSIONARY. WHILE BUDGET CEILING OF SR 130 BILLION (\$37.7 BILLION) IS UP BY APPROXIMATELY 17 PERCENT OVER LEVEL OF LAST TWO BUDGETS, PROJECT COST INFLATION HAS ALREADY SWALLOWED MOST OF INCREASE. ACTUAL EXPENDITURES, WHICH WERE ABOUT 95 PERCENT OF JUST-ENDED BUDGET, WILL CONTINUE THEIR RISE IN COMING YEAR AS MANY MAJOR DEVELOPMENT PROJECTS REACH MATURITY, AND THE SAG MAY FIND ITSELF PRESSED TO HOLD TO ITS NEW BUDGET CEILING.

2. MINISTRY - BY- MINISTRY BREAKDOWNS HAVE NOT YET BEEN PUBLISHED, WHICH WE BELIEVE MAY REFLECT CONTINUED INFIGHTING AMONG MINISTERS WHOSE REQUESTS ARE BEING CUT BACK. WE UNDERSTAND ORIGINAL MINISTRY REQUESTS TOTALLED WELL OVER SR 200 BILLION; EVEN AFTER MANY WEEK'S

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PRUNING BY MINFIN THEY HAVE ONLY BEEN CUT BACK TO SR 145 BILLION. WHILE THIS LATTER SUM OF SR 145 BILLION HAS ACTUALLY BEEN ALLOCATED, MINFIN HAS ISSUED EXPLANATORY STATEMENT SAYING THAT FINAL EXPENDITURES WILL BE KEPT WITHIN SR 130 BILLION CEILING DUE TO EXPECTED UNDER-SPENDING. THIS

STRIKES US AS AN UNUSUAL WAY TO BALANCE A BUDGET, AND WE WONDER IF IT CAN WORK. MOREOVER, THOSE FEW FIGURES PUBLISHED SO FAR SHOW ALLOCATIONS TALLING SR 150 RATHER THAN 145 BILLION.

3. SAG HAS BASED ITS EXPENDITURE CEILING ON ITS EXPECTED REVENUES, I.E., SR 130 BILLION. NET OIL EARNING ARE EXPECTED TO ACCOUNT FOR 88.5 PERCENT OF THE REVENUE, OR SR 115,143 (\$33.4 BILLION) BASED ON THE TWIN PREMISES OF NO OIL PRICE INCREASE AND A PRODUCTION LEVEL OF 8 MILLION B/D. OTHER "ORDINARY" REVENUE, ESTIMATED AT 14,866 BILLION (\$4.3 BILLION) PROBABLY UNDERSTATES THE RETURN ON SAMA'S INVESTMENTS OVERSEAS.

4. THERE ARE NO MAJOR SURPRISES IN THE SECTORAL AND MINISTERIAL ALLOCATIONS PUBLISHED TO DATE. REFUNDING OF DOMESTIC CREDIT INSTITUTIONS SUCH AS THE REAL ESTATE, INDUSTRIAL DEVELOPMENT, AND AGRICULTURAL CREDIT FUNDS WILL TAKE OVER 11 PERCENT OF THE ALLOCATED MONEY, LEAVING SOME SECTORS AND MINISTRIES WITH ACTUALLY SMALLER ALLOCATIONS THAN IN LAST YEAR'S BUDGET. THE PROJECT BUDGET CONTINUES TO TAKE TWO THIRD OF ALLOCATIONS, WITH RECURRING GOVERNMENT EXPENDITURES HOLDING THE REMAINING THIRD.

5. THE DEFENSE AND INTERNAL SECURITY SECTOR HAS UNCLASSIFIED

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CONTINUED TO GET THE LARGEST SLICE OF THE PIE- SR 45.6 BILLION. OR 31.4 PERCENT OF TOTAL ALLOCATED FUNDS -- THOUGH ITS SHARE IS DOWN A FEW PERCENTAGE POINTS FROM LAST YEARS. ON A RELATIVE BASIS THE MINISTRY OF AGRICULTURE AND WATER HAS GOTTEN THE BIGGEST BOOST, GETTING AN ALMOST 58 PERCENT INCREASE IN ITS ALLOCATION (TO SR 6.9 BILLION) PLUS 1.3 BILLION FOR THE AGRICULTURAL CREDIT FUND. THE MINISTRY OF INDUSTRY AND ELECTRICITY ALSO OBTAINED AN INCREASE -- OF 47 PERCENT, TO SR 2.3 BILLION- PLUS A SR 6.9 BILLION INCREASE IN FUNDING FOR THE INDUSTRIAL DEVELOPMENT FUND. THE MINISTRY OF HEALTH WAS THE ONLY OTHER MINISTRY TO GET A SIZEABLE INCREASE -- 31 PERCENT, TO SR 4.6 BILLION.

6. MANY OTHER MINISTRIES AND SECTORS SEEM TO HAVE BEEN HELD AT OR BELOW LAST YEARS'S ALLOCATION LEVELS. THE "INFRASTRUCTURE" SECTOR (INCLUDING PORTS, ROADS, HOUSING, AIRPORTS, AND OTHER COMMUNICATIONS) WILL ACTUALLY GET LESS OVERALL THAN LAST YEAR -- DOWN ALMOST 4 PERCENT TO SR 40.8 BILLION. THE PORTS AND

RAILROADS AUTHORITIES HAVE SLIGHTLY REDUCED BUDGETS
WITHIN THIS SECTOR, AND THE MUNICIPAL AND RURAL AFFAIRS
MINISTRY HAS EXPERIENCED A MAJOR CUTBACK 37 PERCENT
TO SR 8.5 BILLION. THE EDUCATION SECTOR WILL ALSO
GET LESS MONEY ALLOCATED IT -- DOWN 9 PERCENT TO
SR 15.7 BILLION.

7. THE BREAKDOWN OF ALLOCATIONS BY SECTOR MINISTRY
ALLOCATIONS HAVE ONLY BEEN PARTIALLY PUBLISHED SO
FAR) IS AS FOLLOWS: GENERAL ADMINISTRATION SR 5,404
MILLION, NATIONAL DEFENSE 45,568, ECONOMIC RESOURCES
11,117 INFORMATION AND EDUCATION 15,712, INFRA-
STRUCTURE DEVELOPMENT 40,835, HEALTH AND SOCIAL
AFFAIRS 8,631. NO FIGURE HAS BEEN PUBLISHED FOR THE
JUDICIAL AND RELIGIOUS AFFAIRS SECTOR. SUBSIDIES
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TO HOLD DOWN THE PRICES OF BASIC IMPORTED COMMODITIES
WILL IN ADDITION, COST SR 6.2 BILLION DURING THE
COMING FISCAL YEAR. THERE IS NO VISIBLE BUDGET ITEM
FOR SAG'S LARGE FOREIGN AID PAYMENTS.

8. WE WILL POUCH THOSE FIGURES NOW AVAILABLE, AND
HOPE MORE WILL BE PUBLISHED SUBSEQUENTLY.
WEST

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